

10 May 2017

“Clime Capital Limited Preference share conversion”

Dear Fellow Shareholders

I am pleased to advise that on 1 May 2017 the company’s converting preference shares (ASX code CAMPA) were mandatorily converted into ordinary shares (CAM). CAMPA were issued in April 2007 and had a ten year trading period.

I welcome CAMPA holders to the CAM ordinary share register.

So all shareholders can fully understand the impact of CAMPA being converted into CAM ordinary shares, the following facts are outlined:

1. Prior to conversion there were 7.151 million CAMPA on issue;
2. The yearly dividend on these shares was approximately \$1.29 million fully franked;
3. The CAMPA have converted into 9.919 million ordinary CAM shares;
4. Following conversion there are approximately 89.5 million ordinary CAM on issue.

The conversion of the CAMPA relieves the company of a significant obligation to pay large franked dividends to their owners.

To clearly demonstrate the influence of CAMPA (on the assumption of the maintenance of the current rate of ordinary dividend) the following can be derived:

- a. CAMPA dividend \$1.29 million per annum;
- b. CAM dividend on converted CAMPA \$476k per annum (4.8 cents per annum);
- c. Notional saving in dividends \$814k per annum.

Over the ten years approximately \$10 million fully franked was paid to CAMPA owners without any DRP operating. These dividend payments drew significant capital out of the company and arguably affected our portfolio returns. Further, the high preference dividends have presented challenges in the analysis and presentation of the annual and longer term portfolio results.

The conversion allows the directors of CAM to consider dividend payments free of the CAMPA obligation, taking into account the profitability of the company, retained earnings and franking balances.

The next quarterly dividend announcement will occur in early June for payment in July 2017.

John Abernethy
Chairman

Clime Capital Limited

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